

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Russian Federation

Post: Moscow

Government Approves Fuel Price Discount for Farmers for 2012

Report Categories:

Agricultural Situation

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Report Highlights:

The Russian Government announced that it will again offer discounted fuel prices to farmers in the first half of 2012. The discount will be up to 30 percent of the level of wholesale fuel prices in December 2011. According to the Russian Ministry of Agriculture, farmers may save up to 12 billion rubles (\$400 million) on these discounted prices.

General Information:

For the fourth year in a row the Russian government will offer discounted fuel prices for farmers. The fuel price discount policy is based on voluntary agreements between municipal authorities and oil companies that the latter provide farmers with discounted fuel and lubricants. This practice started in 2009, however these agreements were found to have violated Russian anti-monopoly legislation. The conflict was resolved in 2010, when the Government issued a special Resolution (No 129 of March 5, 2010) that allowed provincial and municipal authorities to reach such agreements on discount prices for farmers with oil companies. In February 2011, the Government extended the force of this resolution by one year, and the decision was motivated by the necessity to support farmers after the 2010 drought.

Despite the good crop, attractive grain prices and relatively good farmers' profits in 2011, in January 2012 the Russian government decided to again extend discounted fuel prices for farmers until July 1, 2012, and even increase the discount level from 10 percent in 2011 to 30 percent of the wholesale price (as of the end of last year). Media commented that the government's target was multi-fold: to support farmers' spring sowing and guarantee crop production stability, to provide subsidized fuel support to farmers before WTO accession, and to encourage votes of the rural community at the Presidential elections. The Government Resolution No. 49 of January 31, 2012, on reducing fuel and lubricants prices for agricultural producers amended the Resolution No 129 of March 5, 2010 by extending it for half of the year. The Government empowers Russian provincial and municipal authorities to enter into agreements with oil companies to supply petroleum products to farmers at price of not more than 70 percent of the regional wholesale price as of December 31, 2011.

The Ministry of Agriculture estimated that farmers will be supplied with 63,920 MT of automobile fuel and 1.3 MMT of diesel fuel at discount prices in 2012. In 2011 the discount agreement worked during the entire year, and Russian farmers received at discount prices 124,010 MT of automobile fuel and 2.56 MMT of diesel fuel.

The Ministry of Agriculture estimated that due to the discounted fuel prices, farmers may save on the cost of fuel and lubricants up to 12 billion rubles (\$400 million) in 2012. On the other hand, oil industry analysts estimate potential losses of fuel companies from prices discounts at up to 20 billion rubles (\$667 million), and consider that for compensation of these losses oil companies may increase fuel prices for other consumers after the presidential elections, and raise fuel prices for all consumers in the second half of 2012. Media also commented that despite temporary benefits for farmers this type of so called "manual management" of prices does not create the normal market environment in the Russian economy.

The text of the Resolution is on the site: <http://government.ru/gov/results/17977/>

Begin unofficial translation:

**Resolution No. 49 of January 31, 2012
On Amendments to the Resolution of the Government of the Russian Federation No. 129
of March 5, 2010**

In order to support agricultural producers, and taking into account proposals of producers of fuel and lubricants about their ability to reduce prices of fuel and lubricants for agricultural producers to 70 percent of the price that was on December 31, 2011, the Government of the Russian Federation decrees the following:

To amend the Resolution of the Government of the Russian Federation No. 129 of March 5, 2010 “On Agreements Between the State Bodies of Executive Power, Municipal Authorities and Business Entities on Reduction of Prices of Fuel and Lubricants Sold to Agricultural Producers” (list of legislative acts of the Russian Federation, 2010, No. 10, article 1104; 2011, No. 8, Article 1112) as follows:

- a) in the introduction the words “in 2011” change for “in 2012”;
- b) in item 3 the words “until December 31, 2011” change for “until June 30, 2012”;

Second paragraph to read as follows:

“These prices are set at a 30 percent discount from the wholesale price prevailing on December 31, 2012 in the subject of the Russian Federation where the agricultural producers work, but below the cost of production and marketing of fuels and lubricants”.

- c) in item 7 the words “until January 1, 2012” change for “until July 1, 2012”.

Chairman of the Government
of the Russian Federation

V.V. Putin

End unofficial translation

Note: For more information on the Government Resolution No. 129 of March 5, 2010 “On Agreements Between the State Bodies of Executive Power, Municipal Authorities and Business Entities on Reduction of Prices of Fuel and Lubricants Sold to Agricultural Producers” see GAIN report *Government Allowed Fuel Price Discount for Farmers _ Moscow _ Russian Federation _ 3/17/2010*. In February 2011 the government extended this resolution by one year, and in 2011 farmers were purchasing fuel and lubricants at 10 percent discount. For more information see GAIN report *RS1109_Government Approved Fuel Prices Discount for Farmers for 2011 _ Moscow _ Russian Federation_2/17/2011*